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Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Rhonda

Mining Corporation

1994
ANNUAL REPORT

CORPORATE PROFILE

Rhonda Mining Corporation is an Alberta incorporated Canadian mineral exploration company based in Calgary. Rhonda's programs are focused exclusively on exploration for high value mineral deposits. The Company is in their third year of exploring copper deposits in the Epworth Proterozoic basin near Coppermine, Northwest Territories, and their second year exploring large diamondiferous kimberlite occurrences near Prince Albert, Saskatchewan.

The Company's shares are traded on the Alberta Stock Exchange under the symbol RDM.

Rhonda

Mining Corporation

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NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of shareholders of Rhonda Mining Corporation will be held on Tuesday, December 20, 1994, at 3:00 p.m. at the Aquitaine Auditorium, Second floor, 540 - 5th Avenue SW, Calgary, Alberta.

Rhonda

Mining Corporation

HIGHLIGHTS

- ◆ Discovery of widespread stratiform and high grade bornite/chalcocite copper showings confirms the presence of new Proterozoic copperbelt with exploration potential comparable to the Zambian copperbelt.
 - ◆ Drilling program in Fort à la Corne area of Saskatchewan recovers significant macro diamonds from diamondiferous kimberlite volcanic systems on Rhonda's claims.
 - ◆ \$2.3 million expended on copper exploration program in Northwest Territories.
 - ◆ \$0.5 million expended on diamond exploration program in Saskatchewan.
-

GLOSSARY

Ag	Silver
Au	Gold
Auriferous	Containing significant amounts of gold
Bornite	Copper mineral (63% copper)
Chalcocite	Copper mineral (79% copper)
Chalcopyrite	Copper mineral (34% copper)
Clastic	Granular rock type such as siltstone, sandstone, and conglomerate
Co	Cobalt
Cobaltiferous	Containing significant amounts of cobalt
Cretaceous	The third and latest period of the Mesozoic era, 65 to 136 million years ago
Cu	Copper
Diagenetic	Early formed
Diatreme	A volcanic vent or pipe
Epigenetic	Late formed
Fault Breccia	Assemblage of broken fragments of rock found along faults
Felsenmeer	Locally derived frost heaved boulders
Galena	Lead mineral (86% lead)
Kimberlite	A rock formation commonly found to host diamonds
Metalliferous brine	Aqueous solution containing anomalous amounts of dissolved metals
Metallogenic province	Area characterized by an abundance of certain elements
Pb	Lead
Platformal	Shallow marine shelf environment
Proterozoic	Of the early Precambrian era, 1.7 to 2.3 billion years ago
Sedex	Sedimentary hosted stratabound stratiform mineralization
Sill	An intrusive body of igneous rock running parallel with the intruded rock
Sphalerite	Zinc mineral (67% zinc)
Stockworks	A large number of interpenetrating veins
Stratabound	Confined to one layer
Strataform	Composed of layers of sedimentary or volcanic rock
Tuff	Rock formed from compacted volcanic rock fragments
Vein	Generally a fissure in the earth containing a body of minerals
Zn	Zinc

CHAIRMAN'S REPORT TO THE SHAREHOLDERS

During the year ended June 30, 1994, Rhonda achieved significant progress in both its copper and diamond exploration programs.

In the Epworth area of the Northwest Territories, our joint venture with Noranda Exploration Company, Limited was successful in confirming the presence of widespread stratabound copper mineralization. Claims were staked protecting the discoveries and an airborne geophysical survey was flown in preparation for the 1994 field season.

In the Fort à la Corne area of Saskatchewan, our efforts were focused on sampling the apron and kimberlite-derived sediments surrounding the fully preserved volcanic systems. Micro and macro diamonds recovered from this program confirmed the potential of these large tonnage deposits.

In light of these results, the Company acquired a 22% interest in its major partner in the project. Because of the significant change in the market attitude towards all Canadian diamond exploration, the Company and its major partner decided to seek a joint venture partner to carry forward the major testing program that the project warrants.

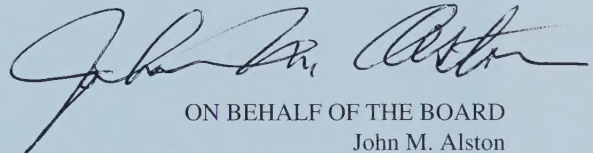
Subsequent to June 30, 1994, the Company, jointly with its major partner in the project, entered into an agreement with Kensington Resources Ltd. granting them the right to earn 50% interest in the project and claims by issuing 1,000,000 shares to the owners and expending \$3 million on the program.

Our 1993-94 exploration expenditures and investments were funded by private placements of shares and warrants and flow-through shares.

Subsequent to the year end, the Company has arranged further financings totalling some \$2 million by private placements of shares and warrants and flow-through shares.

Also subsequent to the year end, Mr. Marc Eller, a principal of BEG Enterprises Inc., was appointed to the board of directors to fill the vacancy resulting from the resignation of Mr. Bruce Murray.

Calgary, Alberta
October 28, 1994


ON BEHALF OF THE BOARD
John M. Alston
Chairman

PROJECT REVIEW

EPWORTH PROJECT, NORTHWEST TERRITORIES

The Epworth project, southeast of Coppermine, was initiated by Noranda Exploration Company, Limited in the early 1990's to explore a largely unexplored Proterozoic basin thought to have high potential for hosting fault related epigenetic and stratabound copper deposits. In 1992, Rhonda joined the project under a joint venture agreement by which it can earn an undivided 50% interest in the project by funding the first \$4 million of exploration work. Since 1992, Rhonda has contributed over \$3.1 million to joint venture exploration programs on the Epworth properties.



Figure 1. Location Map (Source: Noranda Exploration Company, Limited)

GEOLOGICAL SETTING

Rocks within the 10,000 sq mi Epworth area of interest are comprised of complexly deformed, Proterozoic platformal clastic and chemical sedimentary rocks of the Coronation Supergroup.

The initial focus of attention was the fault hosted Woolgar copper showing, located along the northeast margin of the belt (Figure 2).

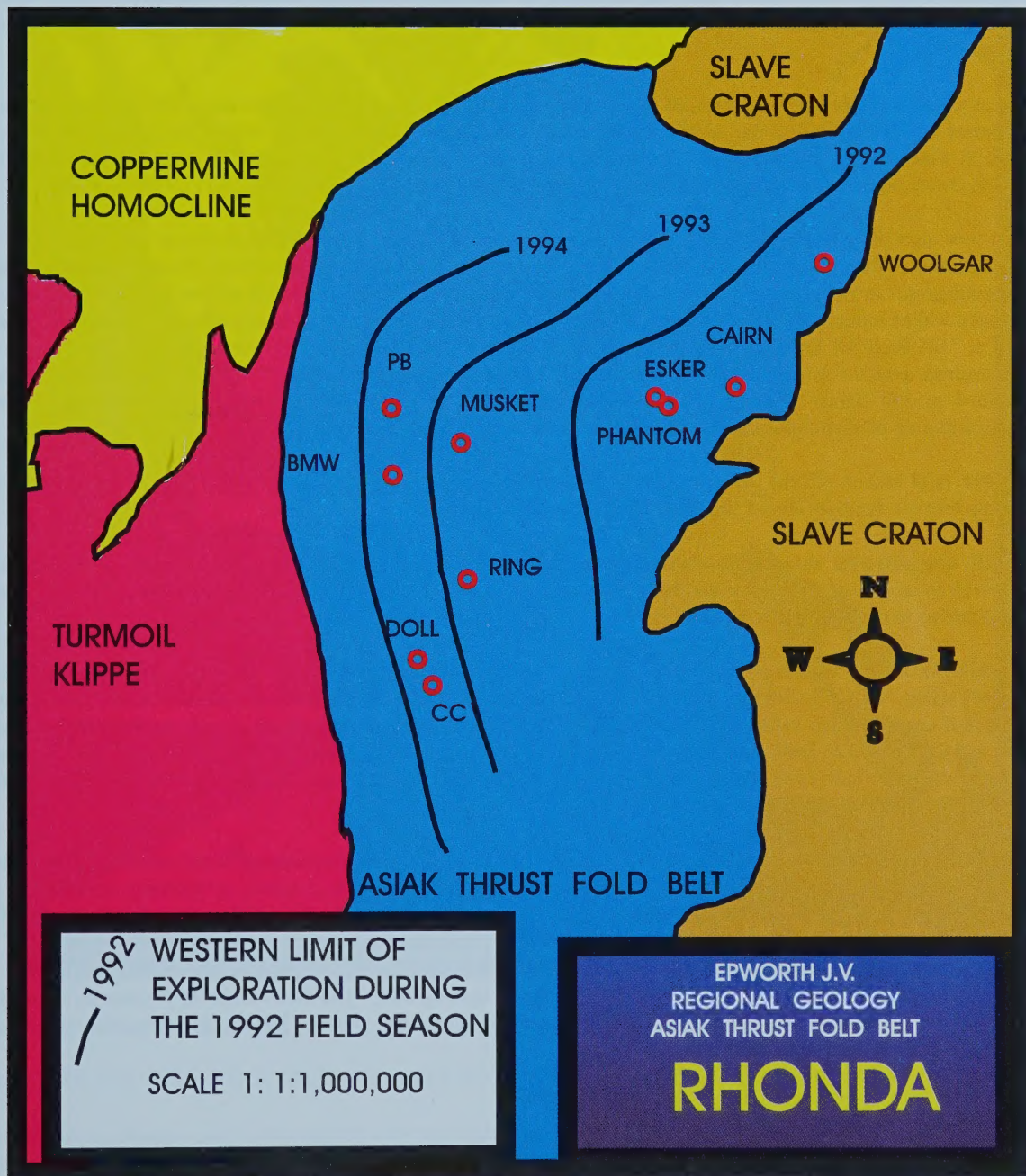


Figure 2. Generalized Geology of Epworth Area (Source: Noranda Exploration Company, Limited)

PROJECT REVIEW

During the 1992 field season, the Woolgar showing was studied in detail. Exploration to the northeast and southwest of the Woolgar showing resulted in the discovery of 17 new fault hosted Cu-Au showings. The Cairn showing (Figure 2), from which grab samples containing up to 1.47% Cu and 11.12g/t (0.32 oz/ton) Au were collected, was considered to be one of the more promising discoveries of this type of mineralization. Of much greater significance was the discovery of the Phantom showing (Figure 2). At this locality, values of up to 1.5% Cu were obtained from grab samples of quartzite hosted stratabound copper mineralization. Based on these results, 6 prospecting permits were acquired, covering 195,000 acres. The approximate western limit of exploration during the 1992 field season is shown in Figure 2.

Efforts during the 1993 field season were directed at evaluating the more promising fault hosted Cu-Au showings discovered during the 1992 field season and exploring for new quartzite hosted stratabound copper mineralization. Encouraging results (up to 4.8% Cu, and 33 g/t (0.96 oz/ton) Au) were obtained from sulfide rich felsenmeer at the Cairn showing.

Prospecting in the Esker Lake area resulted in the discovery of 20 new Pb-Zn-Cu-Ag showings. The mineralization is stratabound and is confined to the middle Rocknest dolomites. The largest showing within the group is the Esker (Figure 2) which ranges in width from 5 to 10 metres and has a strike length of at least 750 metres. Mineralization occurs in cherty replacement zones which contain up to 10% Pb, 10% Zn, 2.25% Cu and 47 g/t (1.37 oz/ton) Ag

Eleven new quartzite hosted stratabound copper showings were discovered. Most of the showings are located 10-20 kilometres further west of the area explored in 1992 and are exposed in patches of felsenmeer. Sulfide minerals occur as dissemination's in the quartzite matrix. The Ring and the Musket showings (Figure 2) are the largest of this group. They have widths in the order of several tens of metres and strike lengths of several hundred metres. Assays of up to 1.3% Cu, 7.0% Pb, 1.3% Zn, 0.02% Co, 15 g/t Ag and 170 ppb Au were obtained from these showings. The discovery of widespread quartzite hosted stratabound copper mineralization, over a strike length of 50 kilometres, led to the acquisition of 399 claims covering 950,000 acres over and on trend with the newly discovered showings. The approximate limit of exploration during the 1993 field season is shown in Figure 2.

The 1994 field season efforts were directed at evaluating the previously discovered major copper showings and exploring for new quartzite hosted stratabound copper mineralization.

A 13,500 line kilometre airborne geophysical survey covering much of the area previously explored as well as the unexplored areas west of the Musket and Ring showings, was completed. Numerous high priority bedrock conductors were identified in the geophysical survey.

Exploration of the new claims was very rewarding, yielding numerous occurrences and eight new much higher grade copper showings. Of the 8, 2 of the new showings are of the quartzite hosted stratabound type and 6 are of spectacular grade zoned copper sulfide veins. The WB showing (Figure 2) is a good example of the stratabound showings found to date and the Pb, BMW, Doll, and CC showings (Figure 2) are promising examples of massive bornite and chalcocite vein type mineralization. Both types of mineralization are cobaltiferous. The approximate western limit of the 1994 field program is also shown in Figure 2.

The WB showing is a quartzite-hosted stratiform copper showing. The geological setting of the showing is shown in Figure 3. Mineralization occurs in locally derived frost heaved boulders up to 2 metres in diameter, scattered in a narrow 50 metre wide north-northwest trending valley, extending over a length of 1.8 kilometres. Mineralization is comprised of disseminated chalcopyrite-pyrite in the matrix of coarse arenites with copper values of up to 3.3%.

The mineralized horizon is cut off to the north by a northeast striking fault. The Kiana showing (Figure 3), which is also comprised of chalcopyrite bearing frost heaved boulders containing up to 2.5% Cu, is interpreted to be the northwest extension of the mineralized WB horizon.

Southeast of the WB showing, the mineralized horizon projects beneath a lake. Lake bottom geochemical samples collected in the southeast end of the lake contain twice the normal background amounts of copper.

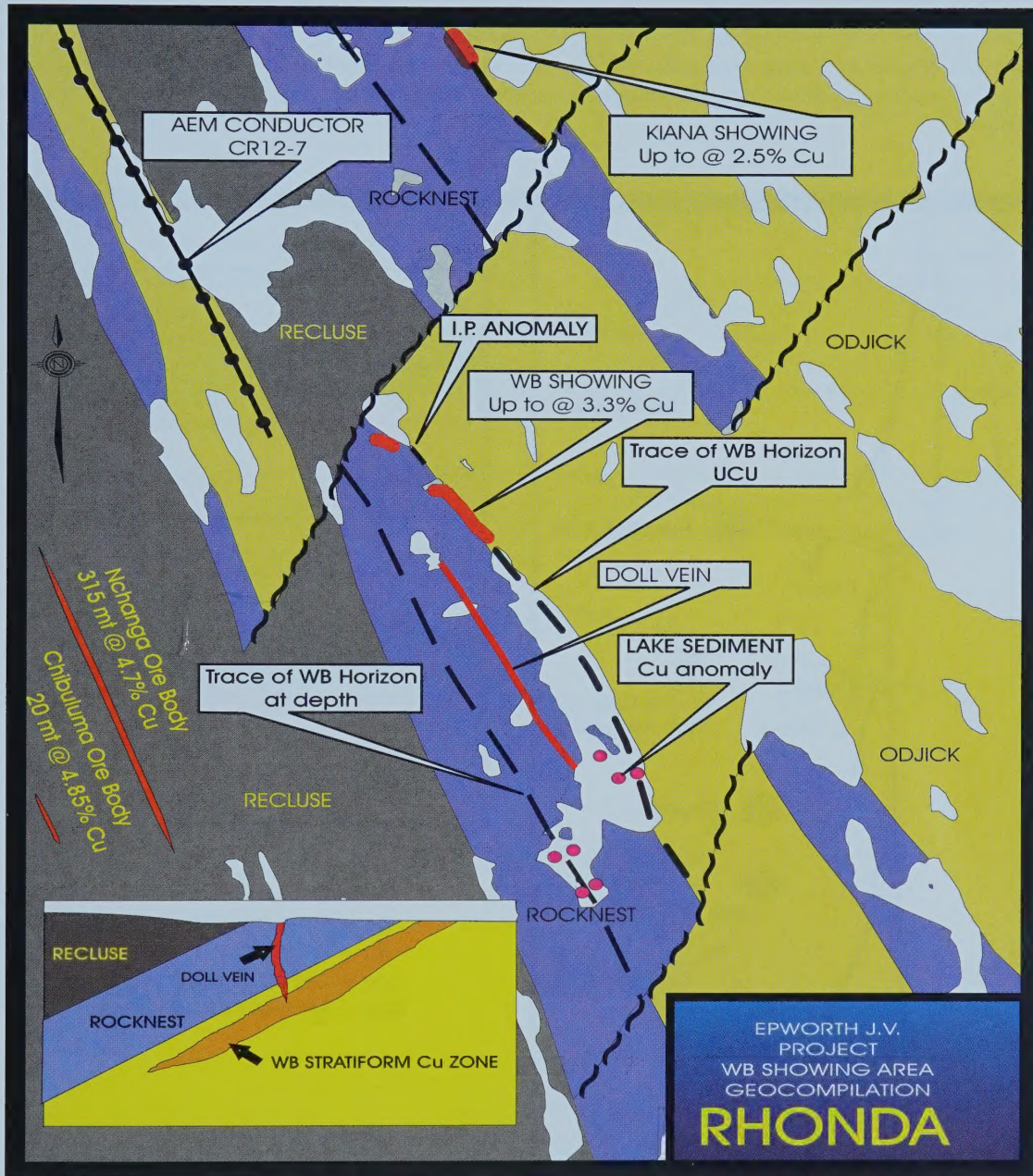


Figure 3. Geology of the WB Area (Source: Noranda Exploration Company, Limited)

BORNITE AND CHALCOCITE MINERALIZATION

Numerous occurrences and 6 showings of vein type high-grade copper sulfides occur in a poorly defined 50 kilometre long trend which, more or less, parallels the mineralized WB horizon in the Odjick quartzites. The mineralization is hosted in the dolomites of the overlying Rocknest formation. The Pb and BMW showings occur in the northern part of the trend while the Doll and CC showings occur in the south (Figure 2).

PROJECT REVIEW

At the Pb showing, locally derived frost heaved boulders 1-2 metres in diameter of massive bornite mineralization, assaying from 27-62% Cu and up to 5600 g/t (163.5 oz/ton) Ag, are scattered over several kilometres of strike length. Showings and occurrences in the northern 30 kilometres of the trend exhibit a well defined zonation in the copper mineral species. The zonation is schematically illustrated in Figure 4.

The Doll vein (Figure 3) is narrow (<1 metre) but has been traced along strike for more than 2.5 kilometres. It is comprised of variable proportions of bornite, chalcocite, sphalerite and galena assaying up to 22% Cu and 0.55% Co in grab samples.

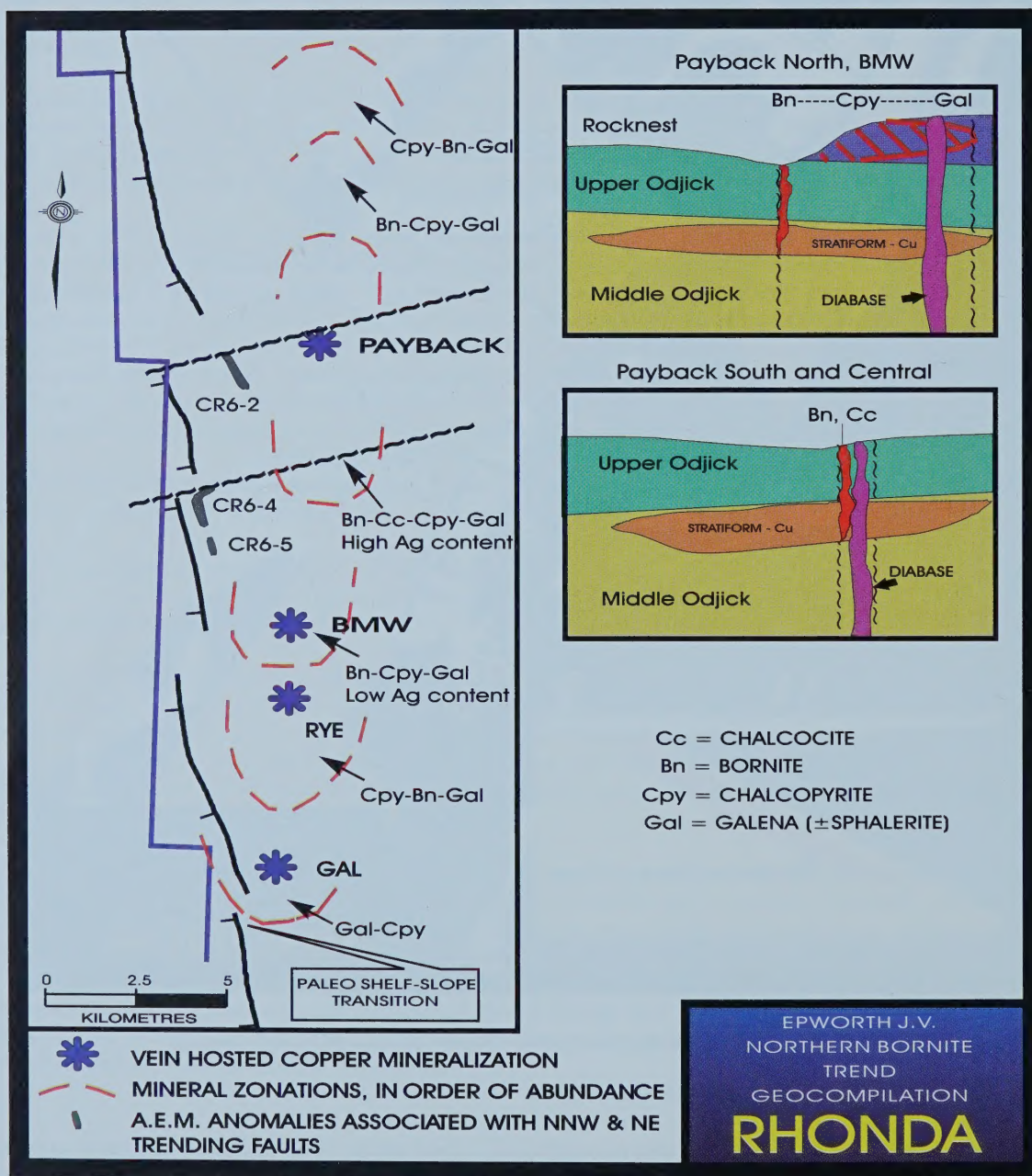


Figure 4. Geological setting of high grade copper sulfide veins
(Source: Noranda Exploration Company, Limited)

GEOLOGICAL SYNTHESIS & SUMMARY

Since its inception in 1991, the focus of the Epworth Project has migrated westward. While the initial catalyst was the Woolgar fault hosted copper showing located along the northeast edge of the Asiatic thrust fold belt (Figure 2), the current focus is the high grade quartzite hosted stratiform copper showings and the spectacular massive bornite and chalcocite veins located approximately 110 kilometres to the southwest.

During the course of the 1992-1994 field seasons, numerous mineralized occurrences and more than 50 copper showings have been discovered in an area approximately 60 kilometre wide by 110 kilometres long. Examination and study of these occurrences and showings has resulted in a good understanding of the nature and distribution of copper mineralization in this previously unrecognized new copper metallogenic province. From the northeast (Woolgar) to the southwest (WB), there is a systematic zonation in the age, grade, geological setting and mineralogy of the copper occurrences and showings. The northeast contains late, low grade, fault hosted vein and disseminated pyrite-chalcopyrite mineralization. Further to the southwest (in the vicinity of the Musket and Ring showings) extensive, diagenetic, moderate grade, quartzite hosted stratiform chalcopyrite-pyrite mineralization predominates. At the southwest limit of the area explored to date, extensive, diagenetic, high grade, quartzite hosted, stratabound chalcopyrite-pyrite mineralization and late massive to disseminated bornite and chalcocite veins have been discovered. The late bornite and chalcocite mineralization is thought to have been derived by remobilization of nearby earlier formed stratabound mineralization.

The large number of copper showings and occurrences, their widespread distribution, the observed regional zonation in sulfide mineral species and mineralization types, relationships among mineralization types and litho-stratigraphic and structural elements, indicate that this area was the main fluid migration pathway for metalliferous brines.

PROJECT REVIEW

COMPARISON: EPWORTH AREA VS AFRICAN COPPERBELT

In many respects, the Epworth area is very similar to the African Copperbelt which hosts several world class copper deposits (for example, Nchanga - 315 mt of 4.7% Cu and Mufulira 282 mt of 3.47% Cu). The tectono-stratigraphic setting of both areas is very similar. Both are comprised of Proterozoic platformal sequences developed adjacent to a large rift system. The stratigraphy of the platformal sequences in both areas are almost identical (Figure 5), and basin maturation and evolution followed similar paths. The scale of the mineralizing hydrothermal systems in both areas are comparable. The local and regional zonations, as well as the nature and styles of mineralization in the Epworth Area, are analogous to those in the African Copperbelt.

The similarities between the two areas are so striking that the likelihood of discovering world class copper deposits in the Epworth area is excellent. Drilling of already defined targets will commence in the summer of 1995 while prospecting and geological and geophysical surveying will be extended out from the 2% of the prospective area examined to date.

Epworth (N.W.T.)					Mufulira (Zambia)				
Formation	Rock Type	m	Cu	Schematic	Cu	m	Rock Type	Formation	
Rocknest	Dolomite	1000		TO, WAM, BELLE		600+	Dolomite	Intermediate	
Upper Odjick (UCU)	Quartzite (dol)	100		WB		6	Quartzite (dol)	Hangingwall	
	Shale, minor Dolomite	300				55	Argillite		
Middle Odjick	Quartzite, Sandstone, minor Shale	300		RING		10	Quartzite, Sandstone, Greywackes, minor Dolomite	Ore Formation	
						20			
						12			
						9			
Lower Odjick	Shale, Siltstone, Silty Quartzite, minor Dolomite	300				15	Silty Quartzite, Quartzite	Footwall	
						0 - 170			
	Basal Conglomerate						Basal Conglomerate		
Slave Craton	Basement						Basement	Lufubu	

Figure 5. Comparison of Stratigraphic Sequences from the Epworth Area & the African Copperbelt
(Source: Noranda Exploration Company, Limited)

FORT À LA CORNE DIAMOND PROJECT, SASKATCHEWAN

Rhonda's exploration effort in central Saskatchewan was predicated on the geological hypothesis that the Cretaceous stratigraphic sequences in the region included totally preserved volcanic kimberlite complexes. This has now been confirmed. Rhonda's program, led by Dr. Peter Nixon of the University of Leeds, England, identified 4 distinct types of diamondiferous and potentially diamondiferous kimberlite deposits:

1. Intrusive sill complexes
2. Craters or tuff cones
3. Apron volcanics
4. Sediments derived from kimberlite by wave and current action

1. Intrusive Sill Complexes

Intensely carbonatized and generally non-magnetic diatreme breccia with highly anomalous niobium values, occurring as sills less than 1 meter thick beneath the Foxford tuff cone eruptive complex; are indicative of a nearby eruptive center or pipe.

2. Craters or Tuff Cones

Often representing several eruptive diatreme events, the craters or tuff cones are comprised of stacked, flat lying volcanic kimberlite rocks. In the discovery drill hole of the Foxford crater/tuff cone, the kimberlite has a true thickness of 106 feet (32 metres). The kimberlite rock units have been extensively carbonatized and altered, and are only weakly magnetic. Airborne and ground magnetic surveys suggest that this crater/tuff cone is approximately 0.5 sq km in size.

3. Apron Volcanics

Kimberlitic water laid volcanics surrounding eruptive centers occur as flat lying aprons decreasing outwardly in thickness. These deposits have been intersected in diamond drill holes in 3 areas. The Snowden apron that surrounds the Uranerz-Cameco-Monopros eruptive centers, drilled by the Rhonda / Aaron joint venture, has a thickness from 4-9 metres.

In total, 1 macro diamond and 19 micro diamonds have been recovered from the Snowden apron deposit. The single macro and 3 micro diamonds were yellow, and strongly suggest the presence of fancy diamonds, which would enhance the economics of the Fort à la Corne diamond deposits. The deposit appears to underlie several thousand acres.

4. Sediments Derived from by Wave and Current Action

The eruption of the kimberlite volcanics occurred in shallow seas, in many instances, forming islands. Around the islands, wave and current action redistributed the components of the volcanic kimberlite rocks to form sedimentary rock units which interfinger with the cyclical volcanic kimberlite units of the apron volcanics. Within the sedimentary rock units, the mineral grains are wave and current sorted. As a consequence, heavy minerals such as diamonds, garnets, magnetite and ilmenite have been selectively concentrated based on their respective specific gravities. At Fort à la Corne, Rhonda has discovered at least 4 distinct and separate rock units with heavy mineral and diamond concentrations within a 50 metre sequence of Middle Cretaceous interbedded shales, siltstones and sandstones deposited over a duration of at least 5 million years. This sequence of sedimentary rocks has become the principal focus of the Rhonda diamond exploration program.

PROJECT REVIEW

The regional setting of the Fort à la Corne kimberlites and their associated diamondiferous heavy mineral sands bear a striking resemblance to the sedimentary diamond deposits that have been mined extensively in the Yakutia region in Siberia since the 1950's. At Yakutia, the source kimberlites were only recently recognized. At Fort à la Corne, the diamondiferous kimberlite of the volcanic complex was first discovered with the diamond potential of the surrounding sedimentary rocks being subsequently demonstrated. The geological model at Yakutia is of significant assistance in interpreting the Fort à la Corne occurrences and planning future evaluation.

Program

During the summer of 1994, Rhonda and Kimmswick Diamonds Inc. were approached by Kensington Resources Ltd., a diamond exploration company with European backing, indicating it would like to earn into the Fort à la Corne project. Effective September 26, 1994, a farmout agreement was signed granting Kensington the right to earn up to a 50% interest in most of the jointly held mineral claims at Fort à la Corne by carrying out cumulative exploration expenditures of \$3,000,000 on the claims and issuing up to 1,000,000 common shares. Rhonda will retain a minimum 25% interest. Kensington, the Operator, will commence core testing high priority geological and geophysical targets in November of 1994. Operatorship of the remaining Fort à la Corne diamond properties has been assigned to Kimmswick Diamonds Inc. effective December 31, 1994.

TURNER-ALBRIGHT PROJECT, OREGON

The Company owns a 25% interest in the Turner-Albright gold, copper, zinc and cobalt deposit located in southwestern Oregon. Besides having a drill-indicated gross ore value of some \$513 million, this polymetallic deposit is one of the few properties in North America with drill-indicated reserves of cobalt.

Utilizing the results of diamond and rotary drilling conducted by previous operators during the period of 1978-1991, Rhonda's consultants have estimated drill-indicated reserves of the Turner-Albright ore body at about 4,000,000 tons containing 400,000 oz Au, 1,600,000 oz Ag, 100,000,000 lbs Cu, 4,400,000 lbs Co and 240,000,000 lbs Zn. This reserve occurs within a sulphide mass totalling some 15,000,000 tons. Utilizing a conservative cut-off grade of \$100 US per ton and prices as shown, gross metal values are as follows:

Metal	Grade	Price	Value/ton US\$	Gross Metal Value (000s) US\$
Gold	0.114 oz/ton	\$380.00/oz	\$ 43.32	\$150,000
Silver	0.443 oz/ton	5.30/oz	2.35	8,480
Copper	1.462 %	1.23/lb	35.97	123,000
Zinc	3.325 %	0.48/lb	31.92	115,200
Cobalt	0.055 %	26.00/lb	<u>28.60</u>	<u>114,400</u>
Total gross metal value:			<u>\$142.16</u>	<u>\$513,080</u>

The total gross metal value/ton (\$142.16 US) of the Turner-Albright deposit compares favorably with that (\$118.37 US) of Cominco's recent base metal discovery in southeastern Yukon which is on a fast track development schedule (Globe & Mail, November 9, 1994, issue).

The potential for adding to the reserves is high as the ore zones and the steeply inclined controlling structures are open at depth. The most recent work, consisting of 6400 feet of diamond drilling, extended the main zone 400 feet downdip to the east and added 387,000 tons grading 0.175 oz/ton Au, 1.09% Cu and 2.32% Zn.

The Turner-Albright deposit represents a significant mineral reserve, and preliminary work indicates that it will support a 400 ton/day mine-mill operation at present metal prices. Such an operation will have minimal environmental impact. R.L. Russell Associates, in a preliminary feasibility study of the project at a time when metal prices were much lower, concluded that, given reasonable metallurgical recoveries, mining should be profitable. This engineering study of the Turner-Albright deposit is being updated and is expected to show that the project's economics have been greatly enhanced by the improved outlook for gold and base metal prices over the next decade.

AUDITORS' REPORT TO THE SHAREHOLDERS

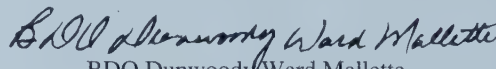
TO THE SHAREHOLDERS OF RHONDA MINING CORPORATION

We have audited the balance sheets of Rhonda Mining Corporation as at 30 June, 1994 and 1993, and the statements of loss and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 30 June, 1994 and 1993, and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
28 October, 1994


BDO Dunwoody Ward Mallette
Chartered Accountants

STATEMENTS OF LOSS AND DEFICIT FOR THE YEARS ENDED 30 JUNE

	1994	1993
REVENUE		
Interest income	\$ 50,732	\$ 121,692
Overhead fees	--	827
Staking fees	408,230	374,667
Gain on sale of shares	119,227	--
	578,189	497,186
EXPENSES		
Administrative	1,110,351	624,211
Writedown of mining properties	--	747,109
Writedown of investments	4,800,000	--
Share of loss in an affiliated company, accounted for on the equity basis	131,000	11,807
	6,041,351	1,383,127
NET LOSS FOR THE YEAR	(5,463,162)	(885,941)
DEFICIT, Beginning of year	(14,870,213)	(13,984,272)
DEFICIT, END OF YEAR	\$ (20,333,375)	\$ (14,870,213)
LOSS PER SHARE	\$ (0.90)	\$ (0.20)

BALANCE SHEETS

AS AT 30 JUNE

1994 1993

ASSETS

CURRENT

Cash	\$ 51,194	\$ 1,352,860
Accounts receivable	705,486	280,105
Notes receivable, note 3	250,000	600,000
Marketable securities		
market value - \$34,000 (1993 - \$231,400)	33,988	100,987

1,040,668 2,333,952

DUE FROM AFFILIATED COMPANIES, note 4	1,958,978	1,475,184
INVESTMENT IN SHARES, note 5	4,613,946	374,943
CAPITAL ASSETS, note 6	8,802	4,541
MINERAL PROPERTIES AND DEFERRED		
COSTS, note 7, schedule	6,427,851	3,575,787

\$ 14,050,245 \$ 7,764,407

16

LIABILITIES

CURRENT

Accounts payable	\$ 1,558,024	\$ 1,075,256
Note Payable, note 8	480,077	--

2,038,101 1,075,256

SHAREHOLDERS' EQUITY

SHARE CAPITAL, note 9	32,345,519	21,559,364
DEFICIT	(20,333,375)	(14,870,213)

12,012,144 6,689,151

\$ 14,050,245 \$ 7,764,407

SIGNIFICANT ACCOUNTING POLICIES, note 2

INCOME TAXES, note 10

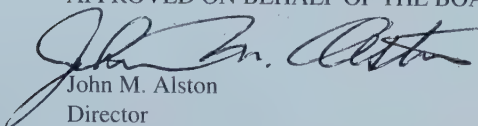
RELATED PARTY TRANSACTIONS, note 11

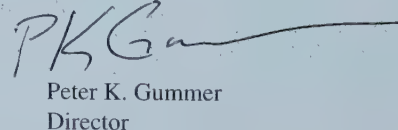
REMUNERATION OF DIRECTORS AND OFFICERS, note 12

SUBSEQUENT EVENTS, note 13

CONTINGENCY, note 14

APPROVED ON BEHALF OF THE BOARD:


John M. Alston
Director


Peter K. Gummer
Director

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED 30 JUNE

	1994	1993
CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES		
Net loss for the year	\$ (5,463,162)	\$ (885,941)
Items not involving cash:		
Amortization	1,067	800
Writedown of mineral properties		747,109
Writedown of investments	4,800,000	
Gain on sale of shares	(119,227)	
Share of loss in an affiliated company	131,000	11,807
Changes in non-cash working capital balances	57,387	613,901
CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(592,935)	487,676
FINANCING ACTIVITIES		
Notes payable	480,077	390,000
Common shares issued during year	10,786,155	3,334,900
CASH PROVIDED BY FINANCING ACTIVITIES	11,266,232	3,724,900
INVESTING ACTIVITIES		
Due from affiliated companies	(483,794)	(1,269,568)
Investment in shares	(9,243,004)	(100,987)
Proceeds on sale of shares	259,227	
Proceeds on disposal of mineral properties	8,000	
Purchase of mineral properties and expenditures on mineral properties	(2,860,064)	(2,335,488)
Purchase of capital assets	(5,328)	(5,341)
Notes receivable	350,000	850,737
CASH USED BY INVESTING ACTIVITIES	(11,974,963)	(2,860,647)
INCREASE (DECREASE) IN CASH	(1,301,666)	1,351,929
CASH, Beginning of Year	1,352,860	931
CASH, End of Year	\$ 51,194	\$ 1,352,860

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 1994

1. NATURE OF OPERATIONS

The Company, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company:

(a) Marketable Securities

Marketable securities are valued at the lower of cost and market.

(b) Investments

When the Company has significant influence over its investments, they are accounted for by the equity method. The investment is initially recorded at cost and the carrying value adjusted thereafter to reflect the changes in the Company's share in the equity of the investee. Where the Company does not have significant influence investments are recorded at cost. Income is recognized to the extent of dividends received. When there is a decline in value other than a temporary decline, the investment is written down to recognize the loss.

(c) Capital Assets

Capital assets are recorded at cost. Amortization is computed on a straight-line method, based on the estimated useful lives of individual assets as follows:

Computer equipment 3 years

(d) Mineral Properties and Deferred Costs

Costs of acquisition and development of mineral properties are capitalized on an area of interest basis. Amortization of these costs will be on a unit of production basis, based on estimated proven reserves of minerals of the areas should such reserves be found. If an area of interest is abandoned or management has indicated that further development appears unlikely, the costs thereto will be charged to income in the year of abandonment.

(e) Foreign Currency

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue, or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

(f) Flow-through Shares

When the Company issues flow-through shares, they record 100% of the mining exploration costs in their records. The shares issued are recorded at their purchase price. When the funds received are spent, the tax benefits arising from the transaction are transferred to the holders of the flow-through shares.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 1994

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Joint Venture

Substantially all of the Company's exploration of mineral properties are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

3. NOTE RECEIVABLE

	1994	1993
Note receivable, secured by 3,000,000 shares in Savanna Resources Ltd., due on demand, interest at prime plus 2%	\$ 250,000	\$ 600,000

4. DUE FROM (TO) AFFILIATED COMPANIES

The amounts due from Savanna Resources Ltd., an affiliated company, and other companies controlled by Savanna Resources Ltd. are non-interest bearing, due on demand and unsecured, except for The Americas Mining Corporation amount which was guaranteed by Savanna Resources Ltd.

Intercompany balances consist of the following:

	1994	1993
Savanna Resources Ltd.	\$ 1,846,160	\$ 976,230
Baretta Mining Inc.	112,818	
(15,889)		
The Americas Mining Corporation		514,843
	\$ 1,958,978	\$ 1,475,184

5. INVESTMENT IN SHARES

	1994	1993
(a) During the year, the Company purchased 10,000,000 shares at \$0.40 per share for a 16% interest in Savanna Resources Ltd. The Company also received a non-transferable warrant to purchase an additional 10,000,000 common shares at \$0.50 per share on or before February 11, 1996. The value of the shares was subsequently written down to \$0.20 per share. The investment has been accounted for by the cost method. At October 28, 1994 the shares were trading at \$0.18 per share	\$2,000,000	\$ --
(b) During the year, the Company purchased 3,000,000 shares at \$1.65 per share for a 22% interest in Aaron Oil Corporation. The value of the shares was subsequently written down to approximately \$0.75 per share. The investment has been accounted for by the cost method as no significant influence was determined to exist. At October 28, 1994, the shares were trading at \$0.45 per share.	2,370,000	--

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 1994

5. INVESTMENT IN SHARES (Continued)

- (c) In 1993, T.A. Investment Inc., the Company's 100% owned subsidiary, was amalgamated with Baretta Mining Inc. In return for 100% of the common shares of T.A. Investment Inc., the Company received 25% of the common shares of Baretta Mining Inc. This investment is accounted for by the equity method. The value attributed to the investment is equal to the net carrying value of T.A. Investment Inc. which consisted primarily of mining properties in the amount of \$386,750.

241,946 374,943

\$ 4,613,946 \$ 374,943

6. CAPITAL ASSETS

	1994		1993	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 10,669	\$ 1,867	\$ 5,341	\$ 800
Cost less accumulated amortization	\$ 8,802		\$ 4,541	

7. MINERAL PROPERTIES AND DEFERRED COSTS

(a) Courageous Lake

The Company owns 100% of 4 blocks of mineral claims and mining leases in the Courageous Lake Area of the District of MacKenzie, Northwest Territories.

(b) Epworth (formerly Woolgar)

The Company has entered into a joint venture agreement, by which it may earn a up to a 50% interest in claims staked within a defined area of interest, by contributing up to \$4,000,000 in exploration expenditures by December 31, 1995. To maintain its option, its cumulative contributions must reach:

\$3,555,000 by December 31, 1994
and \$4,000,000 by December 31, 1995

As of June 30, 1994, the Company has expended \$3,070,000 (1993 - \$829,000) on exploration in this area.

(c) Snowbird Lake

During the year, the Company sold its 15% interest in 7 blocks of mineral claims and 5 permits in the Snowbird Lake Area, Northwest Territories, for consideration of \$8,000 consisting of shares in a public company. The claims were previously recorded at a nominal value.

(d) Sturgeon Lake, Fort à la Corne, Carrot River

The Company is the registered owner of certain mineral claims in which it holds working interests varying from 20%-80%. The Company has agreed to sell up to 50% of its working interest in certain claims pursuant to receipt of shares in a public company, and expenditures by the partner totalling up to \$3,000,000 (Note 13(d)).

(e) Southeast Manitoba

The Company owns 50%-70% of various mineral claims in the Southeast Manitoba area.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 1994

8. NOTES PAYABLE

The note payable bears interest at prime + 1% and it is due on demand. The note is secured by 2,993,000 shares of Aaron Oil Corporation.

9. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares
Unlimited number of first preferred shares

(b) Issued

Common shares	Number	Amount
Issued as at 30 June, 1992	3,760,412	\$ 17,824,464
Flow through shares issued through private placement for cash (net of issue costs of \$12,000)	470,000	1,146,400
Issued through private placement for cash	237,000	1,300,000
Issued through private placement for extinguishment of debt	100,000	400,000
Issued for cash	30,000	49,500
Employee stock options exercised for cash	109,500	74,000
Issued on exercise of warrants	620,000	765,000
Issued as at 30 June, 1993	5,326,912	21,559,364
Flow through shares issued through private placement for cash	16,500	103,455
Issued through private placement for cash (net of issue costs of \$185,250)	1,592,000	8,200,950
Issued on exercise of warrants for intercompany debt	550,000	2,300,000
Employee stock options exercised for cash	123,500	119,250
Issued on exercise of warrants for cash	12,500	62,500
Issued as at 30 June, 1994	7,621,412	\$ 32,345,519

(c) The Company has an employee stock option plan reserving 197,000 common shares for issuance to employees, directors and key executives. Details of options outstanding as at 30 June, 1994, are as follows:

17,000 common shares at \$4.00 per share expiring October, 1994;
85,000 common shares at \$0.25 per share expiring April, 1997; and
95,000 common shares at prices ranging from \$4.25 to \$5.65 per share expiring up to January, 1999.

(d) The company has the following common share purchase warrants outstanding at 30 June, 1994:

162,500 common shares at \$5.00 per share expiring January, 1995;
879,200 common shares at \$9.00 per share expiring February, 1995, to March, 1997;
150,000 common shares at \$8.00 per share expiring April, 1995; and
150,000 common shares at \$4.10 per share expiring November, 1995.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 1994

10. INCOME TAXES

Under Canadian Income Tax Law, development and exploration expenditures are subject to certain restrictions in deductibility. The Company has total expenditures of approximately \$6,694,000 (1993 - \$5,340,763) available at 30 June, 1994, to be carried forward to reduce future taxable income. Approximately \$3,715,000 (1993 - \$3,715,000) of these expenditures are successor costs which may be deductible from income attributable to certain resource properties.

The Company has non-capital losses of \$992,000 (1993 - \$342,000) which may be carried forward to reduce future taxable income. The right to claim these losses expires \$95,000 in 1995, \$16,000 in 1996, \$46,000 in 1998, \$80,000 in 1999, \$105,000 in 2000 and \$650,000 in 2001.

11. RELATED PARTY TRANSACTIONS

During the year ended 30 June, 1994, the Company had the following transactions with Savanna Resources Ltd.; an affiliated company:

- (a) paid \$741,386 (1993 - \$260,771) in respect of overhead charges;
- (b) issued 500,000 common shares for proceeds of \$1,800,000. An additional 500,000 warrants were also issued at an exercise price of \$5.00. These warrants, along with 50,000 additional warrants granted in a prior year, were exercised during the year in exchange for intercompany debt;
- (c) purchased 10,000,000 common shares at \$0.40 per share. In addition the Company received a warrant to purchase an additional 10,000,000 common shares at \$0.50 per share on or before February 11, 1996 (Note 5(a)); and
- (d) paid management fees of \$240,000 (1993 - \$0) for services provided during the year.

12. REMUNERATION OF OFFICERS AND DIRECTORS

No remuneration was paid directly by the Company to the Officers and Directors during the period ended 30 June, 1994. During the period, \$235,500 (1993 - \$189,974) was paid by the Corporation to Savanna Resources Ltd., which provides remuneration to the Officers of the Corporation, as reimbursement of administration and overhead expenses. In 1992, Directors were granted options to purchase 255,000 common shares at \$0.25 per share. The options vest 25% annually over four years. During the year ended 30 June, 1994, exercise of options by Directors resulted in the following deemed remuneration:

John M. Alston	Officer and Director	\$ 106,875
Jan M. Alston	Officer and Director	\$ 71,250
Peter K. Gummer	Officer and Director	\$ 356,250
Bruce Murray	Director	\$ 23,750
David Vallandigham	Director	\$ 35,625
Thomas W. Whittingham	Director	\$ 35,625

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 1994

12. REMUNERATION OF OFFICERS AND DIRECTORS (Continued)

As at October 28, 1994, the Officers and Directors held the following stock options:

	Number of Shares	Exercise Price
John M. Alston	15,000	\$0.25
Glen R. Alston	40,000	\$5.40
Peter K. Gummer	50,000	\$0.25
Thomas Whittingham	5,000	\$0.25

13. SUBSEQUENT EVENTS

Subsequent to 30 June, 1994, the Company:

- (a) issued 320,000 common shares through private placement for proceeds of \$1,206,400. Attached to each common share was a non-transferable warrant to purchase an additional common share for \$4.44. As a finder's fee on this transaction, 32,000 common shares were issued with 32,000 warrants at an exercise price of \$4.44;
- (b) issued 74,500 flow-through shares for proceeds of \$372,500 through private placement;
- (c) granted 10,000 employee stock options to purchase common shares at \$4.05; and
- (d) entered into two agreements to sell up to 50% working interest in the Sturgeon Lake, Fort à la Corne, Carrot River area. The terms of the agreements allow for the delivery of up to 500,000 shares in a public company and exploration expenditures of up to \$2,000,000 by September 12, 1996, and a further \$1,000,000 in exploration expenditures within two years of the second agreement taking effect.

14. CONTINGENCY

Subsequent to 30 June, 1994, the Company was served with a statement of claim disputing the Company's title to certain claims in the Fort à la Corne area and seeking damages. The Company considers the claim to be without merit and has filed a counterclaim for damage to its business and reputation.

SCHEDULE OF MINERAL PROPERTIES FOR THE YEAR ENDED 30 JUNE 1994

	Opening	Expenditures (Disposals)	Closing
NORTHWEST TERRITORIES			
Courageous Lake			
Acquisition	\$ 896,453	\$ 8,337	\$ 904,790
Exploration	187,093	720	187,813
Woolgar			
Acquisition	--	595,318	595,318
Exploration	808,161	1,754,418	2,582,579
	1,891,707	1,358,793	4,250,500
SASKATCHEWAN			
Sturgeon Lake, Fort à la Corne, Carrot River			
Acquisition	553,370	--	488,866
Exploration	978,725	477,106	1,520,335
	1,532,095	477,106	2,009,201
MANITOBA			
Southeast Manitoba			
Acquisition	85,000	24,165	109,165
Exploration	31,256	--	31,256
	116,256	24,165	140,421
MISCELLANEOUS	35,729	(8,000)	27,729
TOTAL	\$ 3,575,787	\$ 2,852,064	\$ 6,427,851

Total expenditures, dispositions and write downs to mineral properties for the year ended 30 June, 1993, were as follows:

Total expenditures	\$ 2,335,488
Total dispositions	\$ 372,125
Total write downs	\$ 747,109

CORPORATE DIRECTORY

OFFICERS and DIRECTORS

Peter K. Gummer, Calgary, Alberta
President and Director

John M. Alston, Calgary, Alberta
Chairman, CEO and Director

Glen R. Alston, Calgary, Alberta
Secretary-Treasurer and Director

Marc Eller, Calgary, Alberta
Director

Thomas W. Whittingham, Invermere, BC
Director

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